



## **Department of Insurance**

IN THE MATTER OF  
THE EXAMINATION OF:

UNITED SERVICES AUTOMOBILE ASSOCIATION  
9800 FREDERICKSBURG ROAD  
SAN ANTONIO, TEXAS 78288

### **MARKET CONDUCT EXAMINATION WARRANT**

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 5/131.21, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Roger Henschen, Examiner-In-Charge, Larry Nelson, and associates as the proper persons to examine the insurance business and affairs of United Services Automobile Association of San Antonio, Texas, and to make a full and true report to me of the examination made by them of United Services Automobile Association with a full statement of the condition and operation of the business and affairs of United Services Automobile Association with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of United Services Automobile Association.

### **IN TESTIMONY WHEREOF,**

I hereto set my hand and cause to be affixed the Seal of my office.

Done at the City of Springfield, this 17<sup>th</sup> day of June, 2000

*Michael T. McRath*  
\_\_\_\_\_  
Michael T. McRath

Director





IN THE MATTER OF THE EXAMINATION OF

UNITED SERVICES AUTOMOBILE ASSOCIATION  
9800 FREDERICKSBURG ROAD  
SAN ANTONIO, TX 78288-0344

**MARKET CONDUCT EXAMINATION WARRANT**

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, and 5/425) do hereby appoint Eileen M. Letts, Martin P. Greene, Kevin T. Lee, and Kenya Jenkins-Wright as Greene and Letts as Examiners to assist the Illinois Department of Insurance ("Department") in the completion of the market conduct examination of United Services Automobile Association, NAIC # 25941, (the "Company") by reviewing and completing the examination report prepared by Examiner in Charge, Roger Henschen, including the review of any objections or rebuttals submitted by the Company regarding the findings of such reports, and drafting of any related Stipulation and Consent Order for the review and approval of the Director. The costs of this examination shall be borne by the Company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of the Company.



**IN TESTIMONY WHEREOF**, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Chicago, this 26th day of September, 2012.

*Andrew Boron*

Andrew Boron

Director



## **Department of Insurance**

IN THE MATTER OF  
THE EXAMINATION OF:

USAA CASUALTY INSURANCE COMPANY  
9800 FREDERICKSBURG ROAD  
SAN ANTONIO, TEXAS 78288

### **MARKET CONDUCT EXAMINATION WARRANT**

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 5/131.21, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Roger Henschen, Examiner-In-Charge, Larry Nelson, and associates as the proper persons to examine the insurance business and affairs of USAA Casualty Insurance Company of San Antonio, Texas, and to make a full and true report to me of the examination made by them of USAA Casualty Insurance Company with a full statement of the condition and operation of the business and affairs of USAA Casualty Insurance Company with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of USAA Casualty Insurance Company.

### **IN TESTIMONY WHEREOF,**

I hereto set my hand and cause to be affixed the Seal of my office.

Done at the City of Springfield, this 17<sup>th</sup> day of June, 2010

Michael T. McRath  
Michael T. McRath

Director



STATE OF ILLINOIS     )  
                                  ) SS  
COUNTY OF SANGAMON    )

I personally served a copy of the within Warrant by leaving  
said copy with Amiel Dilley, at the hour of 3:20 pm  
on 12/2, A.D., 2010.

Roger D. Hencke  
Examiner



IN THE MATTER OF THE EXAMINATION OF

USAA CASUALTY INSURANCE COMPANY  
9800 FREDERICKSBURG ROAD  
SAN ANTONIO, TX 78288-0344

**MARKET CONDUCT EXAMINATION WARRANT**

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, and 5/425) do hereby appoint Eileen M. Letts, Martin P. Greene, Kevin T. Lee, and Kenya Jenkins-Wright as Examiners to assist the Illinois Department of Insurance ("Department") in the completion of the market conduct examination of USAA Casualty Insurance Company, NAIC # 25968, (the "Company") by reviewing and completing the examination report prepared by Examiner in Charge, Roger Henschen, including the review of any objections or rebuttals submitted by the Company regarding the findings of such reports, and drafting of any related Stipulation and Consent Order for the review and approval of the Director. The costs of this examination shall be borne by the Company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of the Company.



**IN TESTIMONY WHEREOF**, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Chicago, this 26th day of September, 2012.

*Andrew Boron*

Andrew Boron

Director



## **Department of Insurance**

IN THE MATTER OF  
THE EXAMINATION OF:

USAA GENERAL INDEMNITY COMPANY  
9800 FREDERICKSBURG ROAD  
SAN ANTONIO, TEXAS 78288

### MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 5/131.21, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Roger Henschen, Examiner-In-Charge, Larry Nelson, and associates as the proper persons to examine the insurance business and affairs of USAA General Indemnity Company of San Antonio, Texas, and to make a full and true report to me of the examination made by them of USAA General Indemnity Company with a full statement of the condition and operation of the business and affairs of USAA General Indemnity Company with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of USAA General Indemnity Company.

### **IN TESTIMONY WHEREOF,**

I hereto set my hand and cause to be affixed the Seal of my office.

Done at the City of Springfield, this 17<sup>th</sup> day of June, 2000

*Michael T. McRaith*

Michael T. McRaith

Director



STATE OF ILLINOIS     )  
                                  ) SS  
COUNTY OF SANGAMON    )

I personally served a copy of the within Warrant by leaving  
said copy with Daniel Dilley, at the hour of 3:20 pm  
on 12/2, A.D., 2010.

Robert J. Henrich  
Examiner



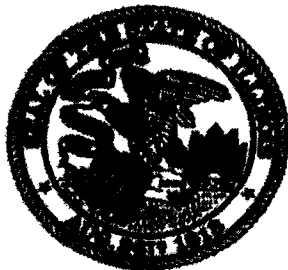
IN THE MATTER OF THE EXAMINATION OF

USAA GENERAL INDEMNITY COMPANY  
9800 FREDERICKSBURG ROAD  
SAN ANTONIO, TX 78288-0344

**MARKET CONDUCT EXAMINATION WARRANT**

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, and 5/425) do hereby appoint Eileen M. Letts, Martin P. Greene, Kevin T. Lee, and Kenya Jenkins-Wright as Examiners to assist the Illinois Department of Insurance ("Department") in the completion of the market conduct examination of USAA General Indemnity Company, NAIC #18600, (the "Company") by reviewing and completing the examination report prepared by Examiner in Charge, Roger Henschen, including the review of any objections or rebuttals submitted by the Company regarding the findings of such reports, and drafting of any related Stipulation and Consent Order for the review and approval of the Director. The costs of this examination shall be borne by the Company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of the Company.



**IN TESTIMONY WHEREOF**, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Chicago, this 26th day of September, 2012.

*Andrew Boron*

Andrew Boron

Director





## **Department of Insurance**

IN THE MATTER OF  
THE EXAMINATION OF:

GARRISON PROPERTY & CASUALTY ASSOCIATION  
9800 FREDERICKSBURG ROAD  
SAN ANTONIO, TEXAS 78288

### **MARKET CONDUCT EXAMINATION WARRANT**

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 5/131.21, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Roger Henschen, Examiner-In-Charge, Larry Nelson, and associates as the proper persons to examine the insurance business and affairs of Garrison Property & Casualty Association of San Antonio, Texas, and to make a full and true report to me of the examination made by them of Garrison Property & Casualty Association with a full statement of the condition and operation of the business and affairs of Garrison Property & Casualty Association with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Garrison Property & Casualty Association.

### **IN TESTIMONY WHEREOF,**

I hereto set my hand and cause to be affixed the Seal of my office.

Done at the City of Springfield, this 17<sup>th</sup> day of June, 2010

Michael T. McRath  
Michael T. McRath

Director



STATE OF ILLINOIS     )  
                                  ) SS  
COUNTY OF SANGAMON    )

I personally served a copy of the within Warrant by leaving  
said copy with Daniel Olley, at the hour of 3:20 pm  
on 12/2, A.D., 2010.

Roger D. Henrichen  
Examiner



IN THE MATTER OF THE EXAMINATION OF

GARRISON PROPERTY & CASUALTY INSURANCE COMPANY  
9800 FREDERICKSBURG ROAD  
SAN ANTONIO, TX 78288-0344

**MARKET CONDUCT EXAMINATION WARRANT**

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, and 5/425) do hereby appoint Bileen M. Letta, Martin P. Greene Kevin T. Lee, and Kenya Jenkins-Wright at Greene and Letts as Examiners to assist the Illinois Department of Insurance ("Department") in the completion of the market conduct examination of Garrison Property & Casualty Insurance Company, NAIC # 21253, (the "Company") by reviewing and completing the examination report prepared by Examiner in Charge, Roger Henschen, including the review of any objections or rebuttals submitted by the Company regarding the findings of such reports, and drafting of any related Stipulation and Consent Order for the review and approval of the Director. The costs of this examination shall be borne by the Company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of the Company.



*IN TESTIMONY WHEREOF*, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Chicago, this 26th day of September, 2012.

*Andrew Boron*

Andrew Boron

Director

**United Services Automobile Association  
USAA Casualty Insurance Company  
USAA General Indemnity Company  
Garrison Property & Casualty Insurance Company**

## MARKET CONDUCT RE-EXAMINATION REPORT

**DATE OF EXAMINATION:**

October 18, 2010 through  
December 17, 2010

**RE-EXAMINATION OF:**

United Services Automobile  
Association,  
Foreign Inter-insurance Exchange

USAA Casualty Insurance Company,  
Foreign Stock

USAA General Indemnity Company,  
Foreign Stock

Garrison Property & Casualty  
Insurance Company,  
Foreign Stock

**LOCATION OF EXAMINATION:**

9800 Fredericksburg Road  
San Antonio, Texas 78288

**PERIOD COVERED BY  
RE-EXAMINATION:**

September 1, 2009 through  
August 31, 2010

**EXAMINERS:**

Larry J. Nelson  
Roger O. Henschen  
Examiner-in-Charge

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## **I. COMPLIANCE**

The Company was previously the subject of a Market Conduct Examination conducted by the Illinois Department of Insurance completed January 25, 2008, and covering the period from September 1, 2006 through August 31, 2007. Based upon the findings of that examination, the following eight (8) orders were issued in order for the Company to be in compliance.

1. Institute and maintain procedures whereby private passenger automobile policyholders whose policy is being canceled are provided a notice of cancellation as required by Section 5/143.15 of the Illinois Insurance Code. (See 215 ILCS 5/143.15).

The Company *is* in compliance.

2. Institute and maintain procedures whereby private passenger automobile insureds whose collision claim was paid are provided delay letters when the claim remains unresolved for more than forty (40) days as is required and outlined in Section 919.80(b)(2) of the Illinois Administrative Code. (See 50 Ill. Adm. Code 919.80(b)(2)).

The Company *is not* in compliance but has improved substantially.

3. Institute and maintain procedures whereby private passenger automobile insureds whose collision claim was closed without payment are provided delay letters when the claim remains unresolved for more than forty (40) days as is required and outlined in Section 919.80(b)(2) of the Illinois Administrative Code. (See 50 Ill. Adm. Code 919.80(b)(2)).

The Company *is* in compliance.

4. Institute and maintain procedures whereby private passenger automobile policyholders who have experienced a total loss to their vehicle are provided delay letters when the claim remains unresolved for more than forty (40) days as is required and outlined in Section 919.80(b)(2) of the Illinois Administrative Code. (See 50 Ill. Adm. Code 919.80(b)(2)).

The Company *is not* in compliance but has improved substantially.

5. Institute and maintain procedures whereby all total loss insureds are treated equally when paying tax, title and transfer fees as required by Section 5/154.6(r) of the Illinois Insurance Code. (See 215 ILCS 5/154.6(r)).

The Company *is* in compliance.

6. Institute and maintain procedures whereby policyholders who have experienced a total loss to their vehicle are provided the information contained in Exhibit A and provided that information within seven (7) days of the vehicle being determined a total loss as outlined in Section 919.80(c) of the Illinois Administrative Code. (See 50 Ill. Adm. Code 919.80(c))

The Company *is not* in compliance but has improved substantially.

7. Institute and maintain procedures whereby the Company responds to written consumer complaints in a written form and in a timely fashion as required by Section 5/143d(b) of the Illinois Insurance code. (See 215 ILCS 5/143d(b))

The Company *is* in compliance.

8. Institute and maintain procedures whereby automobile policyholders and third party claimants as well as property policyholders are provided delay letters as outlined in Section 919.80(b)(2), 919.80(b)(3), and 919.80(d)(7)(B) of the Illinois Administrative Code. (See 50 Ill. Adm. Code 919.80(b)(2), 919.80(b)(3), and 919.80(d)(7)(B))

The Company *is not* in compliance but has improved substantially.



## **II. SUMMARY**

1. The Company was criticized for canceling auto policies that had been in effect for more than 60 days for reasons other than allowed by 215 ILCS 5/143.19.

A General Trend Criticism was issued in the Private Passenger Automobile Cancellation Survey.

2. The Company was criticized for failing to send the insured a reasonable written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(b)(2).

A General Trend Criticism was issued in the Auto First Party Paid Survey.

3. The Company was criticized under 50 Ill. Adm. Code 919.80(b)(3) for failing to provide the third party claimant with a reasonable written explanation for the delay when the property damage claim remained unresolved for more than 60 calendar days.

A General Trend Criticism was issued in the Third Party Paid Survey.

4. The Company was criticized under 50 Ill. Adm. Code 919.80(b)(3) for failing to provide the third party claimant with a reasonable written explanation for the delay when the property damage claim remained unresolved for more than 60 calendar days.

A General Trend Criticism was issued in the Third Party Closed Without Payment Survey.

5. The Company was criticized under 50 Ill. Adm. Code 919.80(b)(2) for failing to provide the insured who had experienced a total loss to the insured vehicle a reasonable written explanation for the delay when the claim remained unresolved for more than 40 calendar days.

A General Trend Criticism was issued in the Total Loss Survey.

6. The Company was criticized under 50 Ill. Adm. Code 919.80(c) for failing to provide insureds who experienced a total loss to their vehicle the information contained in Exhibit A or failing to provide the information contained in Exhibit A within seven (7) days of the vehicle being determined a total loss.

A General Trend Criticism was issued in the Total Loss Survey.

7. The Company was criticized for making a mathematical error and creating a Claim Underpayment of \$80.00 in the Total Loss Survey. The Company made the \$80.00 payment to the insured.

8. The Company was criticized under 50 Ill. Adm. Code 919.80(d)(7)(B) for failing to provide the insured a written explanation for the delay when the claim remained unresolved for more than 75 calendar days.

A General Trend Criticism was issued in the Homeowner Paid Survey.

9. The Company was criticized under 50 Ill. Adm. Code 919.80(d)(7)(B) for failing to provide the insured a written explanation for the delay when the claim remained unresolved for more than 75 calendar days.

A General Trend Criticism was issued in the Homeowner Closed Without Payment Survey.

10. The Company was criticized under 50 Ill. Adm. Code 919.80(d)(7)(B) for failing to provide the insured a written explanation for the delay when the claim remained unresolved for more than 75 calendar days.

A General Trend Criticism was issued in the Residential Fire Paid Survey.

11. The Company was criticized for a Policy Contract Violation in the Residential Fire Paid Survey when making an \$8,276.80 claim payment for coverage that was not on the policy.

12. The Company was criticized in the Residential Fire Paid Survey when making a mathematical error resulting in a Claim Overpayment of \$3,816.44.

13. The Company was criticized in the Residential Fire Paid Survey when failing to take the \$500 deductible from the claim payment creating a Claim Overpayment of \$500.00.

14. The Company was criticized under 50 Ill. Adm. Code 919.80(d)(7)(B) for failing to provide the insured a written explanation for the delay when the claim remained unresolved for more than 75 calendar days.

A General Trend Criticism was issued in the Residential Fire Closed Without Payment Survey.

15. The Company was criticized under Sections 919.80(b)(2), 919.80(b)(3), and 919.80(d)(7)(B) of the Illinois Administrative Code for failing to send delay letters as required. Criticisms were issued in the individual surveys. When the Auto and Property claims surveys are combined, a General Trend was revealed. When delay letters were due, the Company failed to send delay letters as required in 61 of 275 instances (22.18% of the time).

### **III. METHODOLOGY**

The Market Conduct Re-examination places emphasis on evaluating an insurer's systems and procedures in dealing with insureds and claimants.

The following categories were the areas examined:

1. Risk Selection
2. Claims
3. Complaints

The review of these categories was accomplished through examination of individual risk selection, claim and complaint files and interviews with company personnel. Each of these categories were examined for compliance with Departmental Rules and Regulations and applicable state law with the primary focus on the issues regarding the orders issued from the previous examination.

The report concerns itself with improper practices performed with such frequency as to indicate general business practices. Individual criticisms are identified and communicated to the insurer but are not cited in the report if not indicative of a general trend, except if there were underpayments and/or overpayments in claim surveys.

The following methods were used to obtain the required samples to assure methodical selection.

#### **Risk Selection**

Cancellations were requested on the basis of the effective date of the transaction falling within the period under examination. They were reviewed for their compliance with statutory requirements, the accuracy and validity of reasons given and for any possible discrimination.

#### **Claims**

Claims were requested based on the settlement occurring within the period under examination.

#### **Complaints**

Complaints were requested based on those received by the Company during the period under examination.

## Selection of Samples

		<b>Total</b>	<b>#</b>	<b>%</b>
		<b><u>Files</u></b>	<b><u>Reviewed</u></b>	<b><u>Reviewed</u></b>
<b>A.</b>	<b>Risk Selection</b>			
1.	Private Passenger Automobile Cancellations	11	11	100.00
<b>C.</b>	<b>Claims</b>			
1.	Auto First Party Paid	9692	140	1.44
2.	Auto First Party Closed Without Payment	3724	64	1.72
3.	Auto Third Party Paid	6416	107	1.67
4.	Auto Third Party Closed Without Payment	1697	53	3.12
5.	Auto Total Losses – First Party	1954	103	5.27
6.	Homeowner Paid	3784	150	3.96
7.	Homeowner Closed Without Payment	1299	108	8.31
8.	Residential Fire Paid	197	74	37.56
9.	Residential Fire Closed Without Payment	74	74	100.00
<b>D.</b>	<b>Complaints</b>			
1.	Consumer Complaints	81	81	100.00

#### **IV. FINDINGS**

##### **A. Risk Selection**

###### **1. Private Passenger Automobile Cancellations**

There were no criticisms regarding compliance issues relating to the previous orders.

While reviewing auto cancellations for compliance with the previous orders, a General Trend Criticism was issued regarding policies that were canceled and had been in effect for more than 60 days. In seven (7) cancellations the policy had been in effect for more than 60 days when the notice of cancellation was mailed. When a policy has been effective for more than 60 days, the Company may cancel only for a reason or reasons listed in 215 ILCS 5/143.19. In one (1) file (14.29% of the 7) the reason for the cancellation was one not listed.

##### **B. Claims**

###### **1. Auto First Party Paid**

Twenty-nine (29) first party claims remained unresolved in excess of 40 days and required a reasonable written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(b)(2). The Company failed to do so in 13 files (44.83%). A General Trend Criticism was issued. The Company improved from 92.00% errors during the previous exam to 44.83% errors under the re-exam.

###### **2. Auto First Party Closed Without Payment**

Forty-nine (49) files required a delay letter. In one (1) file (2.04% of the 49) the company failed to provide the insured with the letter as required by and outlined in 50 Ill. Adm. Code 919.80(b)(2). The Company improved from 96.88% errors during the previous exam to 2.04% errors under the re-exam.

###### **3. Auto Third Party Paid**

Twenty-seven (27) files remained unresolved in excess of 60 days and required a delay letter as required by and outlined in 50 Ill. Adm. Code 919.80(b)(3). The Company failed to do so in seven (7) files (25.93%). A General Trend Criticism was issued. The Company improved from 100.00% errors during the previous exam to 31.03% errors under the re-exam.

**4. Third Party Auto Closed Without Payment**

Nineteen (19) files remained unresolved in excess of 60 days and required a delay letter as required by and outlined in 50 Ill. Adm. Code 919.80(b)(3). The Company failed to do so in six (6) files (31.58%). A General Trend Criticism was issued. The Company had 33.33% errors during the previous exam and 31.58% under the re-exam.

**5. Auto Total Losses - First Party**

Fifty-eight (58) files remained unresolved in excess of 40 days and required a delay letter as required by and outlined in 50 Ill. Adm. Code 919.80(b)(2). The Company failed to do so in 18 files (31.03%). A General Trend Criticism was issued. The Company improved from 100.00% errors during the previous exam to 31.03% errors under the re-exam.

One hundred three (103) total loss files were reviewed. In eight (8) files (7.77%) the Company was in violation of 50 Ill. Adm. Code 919.80(c). They failed to provide the insured the information contained in Exhibit A (3 files) or sent it more than seven days after determining that the vehicle was a total loss (5 files). A General Trend Criticism was issued. The Company improved from 71.30% errors during the previous exam to 7.77% errors during the re-exam.

While reviewing total losses for compliance with the previous orders, it was discovered that in one (1) file (0.98%) the Company made a mathematical error creating a Claim Underpayment of \$80.00. The Company made payment to the insured.

**6. Homeowner Paid**

Fifty (50) claims remained unresolved for more than 75 days and a reasonable written explanation for the delay was due the insured and due by or prior to day 75 as outlined in 50 Ill. Adm. Code 919.80(d)(7)(B). The Company was in violation in seven (7) files (14.00% of 50). The Company failed to send the written explanation in four (4) files and sent the explanation late in three (3) files. A General Trend Criticism was issued. The Company improved from 75.00% errors during the previous exam to 14.00% errors during the re-exam.

**7. Homeowner Closed Without Payment**

Thirty (30) claims remained unresolved for more than 75 days and a reasonable written explanation for the delay was due the insured and due by or prior to day 75 as outlined in 50 Ill. Adm. Code 919.80(d)(7)(B).

The Company was in violation in three (3) files (10.00% of 30). The Company failed to send the written explanation in one (1) file and sent the explanation late in two (2) files. A General Trend Criticism was issued. The Company improved from 25.00% errors during the previous exam to 10.00% errors during the re-exam.

**8. Residential Fire Paid**

Nine (9) claims remained unresolved for more than 75 days and a reasonable written explanation for the delay was due the insured and due by or prior to day 75 as outlined in 50 Ill. Adm. Code 919.80(d)(7)(B). The Company was in violation in four (4) files (44.44% of the 9). The Company failed to send the written explanation in two (2) files, sent the explanation late in one (1) file and failed to provide a reasonable explanation in another file. A General Trend Criticism was issued. The Company improved from 57.14% errors during the previous exam to 44.44% errors during the re-exam.

While reviewing the files in this survey for compliance with the previous orders, it was discovered that in one (1) file (1.35%) the Company created a Policy Contract Violation and overpayment of \$8,276.80. The Company paid under "sump pump" when that coverage was not on the policy. The Company made an exception and paid the claim but it is clearly a Policy Contract Violation.

While reviewing the files in this survey for compliance with the previous orders, it was discovered that in one (1) file (1.35%) the Company made a mathematical error creating a Claim Overpayment of \$3,816.44.

While reviewing for compliance with the previous orders, it was discovered that in one (1) file (1.35%) the Company made a mathematical error creating a Claim Overpayment of \$500.00. The Company failed to take the \$500 deductible off the payment.

**9. Residential Fire Closed Without Payment**

Four (4) claims remained unresolved for more than 75 days and a reasonable written explanation for the delay was due the insured and due by or prior to day 75 as outlined in 50 Ill. Adm. Code 919.80(d)(7)(B). The Company was in violation in two (2) files (50.00% of 4). The Company failed to send the written explanation in both files. A General Trend Criticism was issued. The Company improved from 75.00% errors during the previous exam to 50.00% errors during the re-exam.

**While reviewing the files in this survey for compliance with the previous orders, it was discovered that in two (2) files (2.70% of 74 reviewed) the Company failed to maintain detailed documentation in order to permit reconstruction of the company's activities relative to the claim. The examiner was unable to determine the final outcome of the claim as the file notes were incomplete and a violation of 50 Ill. Adm. Code 919.30(c).**

**C. Complaints**

**1. Consumer Complaints**

**There were no criticisms.**



## V. INTERRELATED FINDINGS

1. **General Trend Criticisms** were issued in the Auto First Party Paid, Auto Third Party Paid, Auto Third Party Closed Without Payment, Auto Total Losses, Homeowner Paid, Homeowner Closed Without Payment, Residential Fire Paid and Residential Fire Closed Without Payment Surveys for no delay letters as outlined and required. When taking into account all claims surveys which include the remainder of the auto surveys and all of the property surveys, the Company failed to provide delay letters as required in 61 of 275 instances (22.18% of the time). General Trend Criticisms apply for violations of 50 Ill. Adm. Code 919.80(b)(2), 919.80(b)(3), and 919.80(d)(7)(B). The Company improved from 86.49% errors from the previous exam to 22.18% under the re-exam. The numbers below reveal in each survey how many times a delay letter was due, how many times they were not sent or not sent correctly and the percentage of errors. The numbers in parenthesis are the numbers from the previous exam.

<u>Survey</u>	<u># of times delay letter was due</u>	<u># of times not sent</u>	<u>% errors</u>
1 <sup>st</sup> Party Paid	29 (25)	13 (23)	44.83 (92.00)
1 <sup>st</sup> Party C.W.P.	49 (32)	1 (31)	2.04 (96.88)
3 <sup>rd</sup> Party Paid	27 (3)	7 (3)	25.93 (100.00)
3 <sup>rd</sup> Party C.W.P.	19 (6)	6 (2)	31.58 (33.33)
Total Losses	58 (26)	18 (26)	31.03 (100.00)
Homeowner Paid	50 (4)	7 (3)	14.00 (75.00)
Homeowner C.W.P.	30 (4)	3 (1)	10.00 (25.00)
Fire Paid	9 (7)	4 (4)	44.44 (57.14)
Fire C.W.P.	4 (4)	2 (3)	50.00 (75.00)
<b>Totals</b>	<b>275 (111)</b>	<b>61 (96)</b>	<b>22.18 (86.49)</b>

STATE OF ILLINOIS            )  
  ) ss  
COUNTY OF COOK            )

**Roger Henschen, being first duly sworn upon his oath, deposes and says:**

**That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the Insurance business and affairs of the following insurance companies:**

**United Services Automobile Association-NAIC # 25941  
USAA Casualty Insurance Company-NAIC #25968  
USAA General Indemnity Company-NAIC #18600  
Garrison Property & Casualty Insurance Company-NAIC #21253**

**That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;**

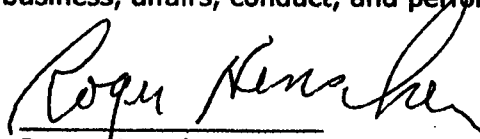
**That neither he nor any other persons designated as examiners nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as policyholders, and that neither he nor any other persons designated as examiners nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;**

**That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;**

**That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;**

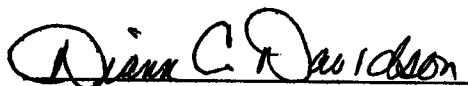
**That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or**

ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the company.



Roger Henschen  
Examiner-In-Charge

Subscribed and sworn to before me  
this 18<sup>th</sup> day of December, 2012.



Notary Public

**DIANN C. DAVIDSON**  
**NOTARY PUBLIC**  
MY COMMISSION EXPIRES APR. 30, 2016

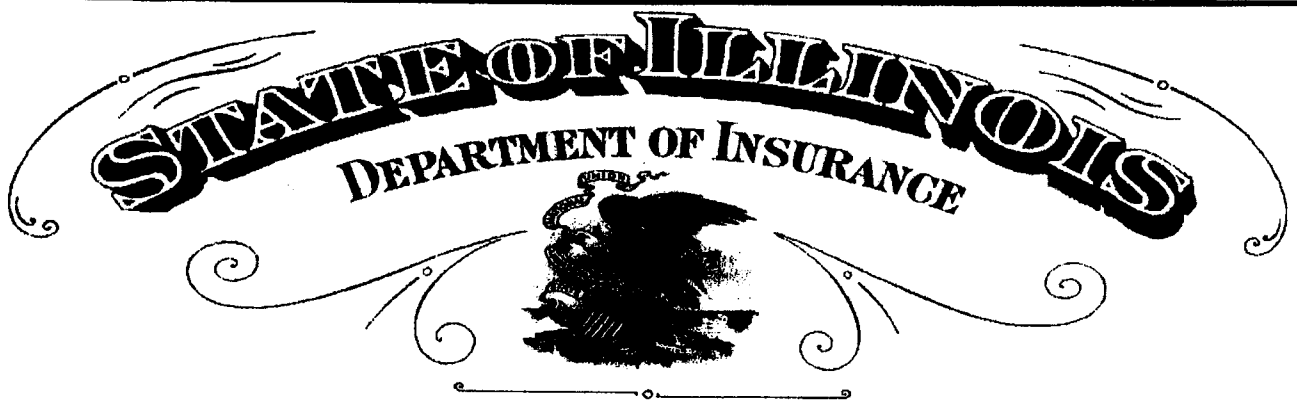
This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403, and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

Louis Butler  
Staff Attorney



IN THE MATTER OF:

UNITED SERVICES AUTOMOBILE ASSOCIATION  
USAA CASUALTY INSURANCE COMPANY  
USAA GENERAL INDEMNITY COMPANY  
GARRISON PROPERTY AND CASUALTY COMPANY  
9800 FREDERICKSBURG ROAD  
SAN ANTONIO, TEXAS 78288

STIPULATION AND CONSENT ORDER

WHEREAS, the Director ("Director") of the Illinois Department of Insurance ("Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, United Services Automobile Association, USAA Casualty Insurance Company, USAA General Indemnity Company and Garrison Property and Casualty Company ("Companies") are authorized under the insurance laws of this State and by the Director as a foreign stock company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by duly qualified examiners of the Department pursuant to Sections 5/131.21, 132, 401, 402 and 425 of the Illinois Insurance code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425); and

WHEREAS, the Department filed an examination report as an official document of the Department as a result of the Market Conduct Examination; and

WHEREAS, said report cited various areas in which the Companies were not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by or in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Companies.

WHEREAS, the Companies are aware of and understand their various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407 and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

**WHEREAS, the Companies understand and agree that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and**

**WHEREAS, the Companies and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.**

**NOW, THEREFORE, IT IS agreed by and between the Companies and the Director as follows:**

- 1. That the Market Conduct Examination indicated various areas in which the Companies were not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and**
- 2. That the Director and the Companies consent to this Order requiring the Companies to take certain actions to come into compliance with provisions of the Illinois Insurance Code and/or Department Regulations.**

**THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Companies shall:**

- 1. Institute and maintain procedures whereby an insured whose private passenger automobile policy has been in effect for more than 60 days is canceled only for reasons allowed by 215 ILCS 5/143.19.**
- 2. Institute and maintain procedures whereby a written explanation for the delay as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(2) be provided the insured when the collision claim has been unresolved in excess of 40 days from the date the loss was reported.**
- 3. Institute and maintain procedures whereby a third party claimant whose property damage claim remains unresolved for more than 60 days and eventually payment made, is provided a written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(b)(3).**
- 4. Institute and maintain procedures whereby the third party claimant whose property damage claim remains unresolved for more than 60 days and eventually will be closed without payment is provided a written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(b)(3).**
- 5. Institute and maintain procedures whereby a private passenger automobile insured who experiences a total loss to their vehicle and whose claim remains unresolved for more than 40 days is provided a written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(b) (2).**
- 6. Institute and maintain procedures whereby an insured who experiences a total loss to their vehicle is provided and provided in a timely manner the informational letter commonly known as the right of recourse letter and/or Exhibit A as required by 50 Ill. Adm. Code 919.80(c), 50 Ill. Adm. Code 919.80(c) (2) (F) and 919 EXHIBIT A Total Loss Automobile Claims.**

7. Institute and maintain procedures whereby a homeowner insured whose claim was paid but had remained unresolved for more than 75 days is provided a reasonable written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(d) (7) (B).
8. Institute and maintain procedures whereby a homeowner insured whose claim was closed without payment but had remained unresolved for more than 75 days is provided a reasonable written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(d)(7)(B).
9. Institute and maintain procedures whereby a Residential Fire insured whose claim was paid but had remained unresolved for more than 75 days is provided a reasonable written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(d) (7) (B).
10. Institute and maintain procedures whereby a Residential Fire insured whose claim was closed without payment but had remained unresolved for more than 75 days is provided a reasonable written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(d)(7)(B).
11. Submit to the Director, within 30 days, a civil forfeiture of \$20,000.00.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate action, including but not limited to levying additional fines and forfeitures, should the Companies violate any provision of the Illinois Insurance Code, any regulation promulgated there under, or any provision of this Stipulation and Consent Order.


United Services Automobile Association  
USAA Casualty Insurance Company  
USAA General Indemnity Company  
Garrison Property and Casualty Company

  
Signature

Daniel Dilley  
Name  
Executive Director – Insurance Compliance  
Title

Date: April 17, 2013

DEPARTMENT OF INSURANCE  
of the State of Illinois:

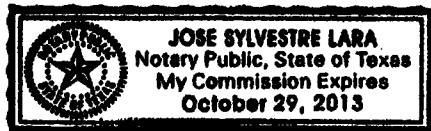
  
Andrew Boron  
Director

Date: May 29, 2013

Subscribed and sworn to before me this

17th day of April A. D. 2013.

  
Notary Public







# Illinois Department of Insurance

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**PAT QUINN**  
Governor

**ANDREW BORON**  
Director

June 21, 2013

Mr. Daniel Dilley  
Executive Director, Insurance Compliance  
USAA Group  
9800 Fredericksburg Road  
San Antonio, TX 78288

RE: Standard Mutual Insurance Company  
Market Conduct Examination

Dear: Mr. Dilley:

This is in response to your December 26, 2012 letter on the above referenced matter. USAA Group has provided proof of compliance with Orders # 1 through Order # 11 in the Stipulation and Consent Order. These proofs of compliance have been reviewed and are satisfactory.

Accordingly, the Department is closing its file on this examination. A copy of the fully executed Stipulation and Consent is enclosed for your records. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Please contact me if you have any questions. I may be reached at 312-814-2420.

Yours Truly,

Louis Butler  
Deputy General Counsel